

# INTERNAL CONTROLS BULLETIN

April 10, 2018 (for March 2018) - Volume 11, Issue 3

## Oversight Bodies are Central to Internal Control

Oversight bodies, such as a board or council, typically have three primary roles: policy making, decision making, and overseeing the organization's activities. Providing oversight includes understanding and managing agency risk and internal control.

While the day-to-day responsibilities of the internal control system rest with agency management, the oversight body plays a central role. Every oversight body should understand the components of the agency internal control system and the high level risks that may stand in the way of the agency achieving its mission.

So how do oversight bodies get engaged in internal controls? First, they need information. And getting the information from multiple sources is in itself a form of internal controls. Like the investment advice against putting all of your eggs in one basket, the same advice on diversification is true for how an oversight body receives information.

One way to strengthen the agency internal control system is through a control activity known as creating competitive sources of information. Under this model, the oversight body receives information from multiple sources. For example, financial data provided by agency financial staff and programmatic updates from subject matter experts gives the board an opportunity to hear from a variety of perspectives and can improve decision making. This also achieves the important internal control goal of not having any one individual control all aspects of a process.

Second, oversight bodies need to consider internal controls and risk management when making strategic decisions or long term plans. Members of an oversight body are ideally situated for internal control responsibilities given their long-term, neutral appointments and extensive professional experience. Their relative stability places board and council members in the best position to think about the long-term health and sustainability of the agency. Understanding and monitoring the agency control environment, engaging in high level risk assessment, and ensuring the proper controls are in place help mitigate high impact risks and provide reasonable assurances the organization operates efficiently and effectively.

Finally, oversight bodies should participate in periodic evaluations of the agency internal control system such as the Annual Internal Control System Certification process.

### Suggested action steps

- Create competitive sources of information to support sound decision making and reduce agency risk.
- Participate in the design and assure the integrity of agency processes used to produce reliable financial and operational information.
- Engage in the agency risk assessment process.
- Require and oversee procedures to report internal control deficiencies.
- Participate in periodic evaluations of the agency internal control system.

### Questions?

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